

U.S. Chamber of Commerce

ASSOCIATION OF AMERICAN CHAMBERS OF COMMERCE IN LATIN AMERICA

Views on the FTAA Negotiation Process

Executive Summary

The Council of the Americas, the Association of American Chambers of Commerce in Latin America, and the Chamber of Commerce of the U.S. welcome this opportunity to present their views on the negotiations for the Free Trade Area of the Americas (FTAA) to the FTAA Committee on Civil Society.

Throughout the process leading up to the launch of FTAA negotiations, we have been seriously concerned about how to gain and sustain public support for free trade. Our view remains that governments bear the primary responsibility in this area, particularly through high-level involvement to achieve early, concrete progress with demonstrable results in all areas of the negotiation.

Unfortunately, high-level support has been inconsistent, progress has been hard to discern, and the prospects for meaningful action by the year 2000 are doubtful.

There is some good news. Despite the economic crisis in Asia and its repercussions in this Hemisphere, governments generally have maintained a commitment to free trade. While the process of advancing free trade has slowed to a crawl, fears of a major pulling back from policies to open and deregulate markets remain unrealized. And within the FTAA process, most* negotiating groups seem to be making steady, if unspectacular, progress in *outlining the* structure and content of an agreement.

But what is sorely absent is a reaffirmation of political commitment to the FTAA and to rebuilding public support for that goal. The economic crisis has created understandable questions in the public about the benefits and costs of globalization, particularly for those at the lower end of the economic spectrum.

Elected officials need to respond to those questions. Good trade policy is not a panacea for bad macroeconomic policy, but it plays an important role in promoting economic health by stimulating growth and improving consumer welfare.

The FTAA negotiations offer an excellent opportunity for governments within the Hemisphere to give full expression to their commitment to free trade and to deliver to their peoples on the promise of trade. In so doing they would benefit both the region and the world at large.

But the present pace of negotiations puts at risk the credibility of the FTAA process and public support for the go-al. Ministers have understood the difficulty of promoting an intangible product. In the Ministerial Declaration of San Jose, they reaffirmed their "commitment to make concrete progress by the year 2000" and called for agreement on specific business facilitation measures to be adopted by the turn of the century. We support these efforts and recommend the following: adoption and implementation of the WTO Valuation Agreement; implementation of a code of conduct for customs officials; harmonization of customs procedures for express shipments; adoption of new hemispheric rules to increase transparency in customs rule-making and procedures and to simplify customs procedures; and simplification of rules and procedures for low-cost shipments.

The Ministers' mandate to their officials to seek "business facilitation measures" was sufficiently broad to cover a wide range of actions in such areas as market access, investment, intellectual property rights, services, and agricultural and industrial standards.

It is disappointing that officials have limited their focus to customs matters. Important in their own right, changes in customs rules and procedures are not likely to generate kind of public interest and support needed to assure the FTAA's success.

To demonstrate the potential benefits of the FTAA and to stimulate enthusiasm for the negotiations, governments should be prepared to adopt at an early stage measures that encompass the wide range of issues being discussed in the negotiations. In earlier submissions to the Americas Business Forum, we made numerous recommendations for early, meaningful steps that could be taken. We urge officials to reconsider those recommendations, which cover virtually every topic under negotiation. We have summarized them in this paper.

One of the early major sticking points in the negotiations is whether to include provisions in the FTAA to protect labor and the environment. The matter is highly contentious, both between various countries and within many of our countries. In our view, free trade supports both increased standards of living for workers and creates the resources necessary to protect the environment. As such, trade should not be held hostage while governments wrestle with this complex issue. But recognizing that there is no consensus, we call on governments to commit to not derogating from existing environmental, health, safety, and labor measures in order to gain competitive advantage pending the resolution of how to address labor and environment in the FTAA, just as we have called for a hemispheric standstill on new trade-restricting measures.

Finally, a major difficulty for the entire FTAA process is that the goal of completing the agreement by 2005 seems incredibly distant. It is not a problem for today, but rather for tomorrow. We therefore recommend that when they next meet in Toronto, ministers should accelerate the pace of negotiations with the goal of concluding FTAA negotiations earlier than the 2005 target date.